

MONTANA STATE AUDITOR'S OFFICE BROADBAND PAY PLAN PROPOSAL

Introduction

The Broadband Pay Plan (020) was adopted by the 2001 Montana Legislature as an alternative to the Statewide Classified Pay Plan (060 and 068). It is the intent of the State Auditor's Office (SAO) to implement this alternative compensation plan for all classified employees in the office. These include employees in the bureaus of Centralized Services, Legal, Insurance, and Securities. The main objective is to create a fully integrated competency based system that will utilize existing market salary data to attract and retain a competent workforce. The plan simplifies the classification of positions, increases emphasis on market-based pay, and promotes competency-based human resource systems. It also provides flexibility for adoption of other job and employee-based pay components. Pay raises in 020 are in part at the discretion of the agency management team and where applicable the collective bargaining process, in addition to those granted across the budget by the Legislature. The objectives are as follows:

Project objectives

The objectives of this initiative are:

- To create a fully integrated competency-based system that will utilize existing market salary data to attract and retain a competent workforce.
- To develop a competency-based system that recognizes the value of cumulative knowledge, skills and behaviors acquired by employees and the benefits of competency development and improvement to organizational success and effectiveness.
- To develop competencies to implement a performance management and compensation system that rewards exceptional employee performance, and recognizes and supports the attainment of agency goals, professionalism, and excellence in customer service demonstrated by employees.
- To enhance the performance management process through the development of competencies and to ensure that communication regarding performance is ongoing, and that performance feedback is timely, meaningful and supports employee success.

Project overview

The alternative competency-based performance and pay system will be implemented for SAO employees currently classified under Pay Plans 060 and 068 using a three stage approach.

Stage 1: Initial Broadband/Market Based Conversion

All employees and positions now on Pay Plans 060 and 068 will move to the Alternative Classification and Pay Plan 020 effective April 24, 2007. Employees will move to the broadband structure by converting from current grades to the associated band. Positions will be placed in one of the nine broadband pay bands available in the Alternative Pay Schedule provided by State Personnel Division. Band placement will be based on the complexity level assigned to position. Once the agency has converted all positions and employees to the Alternative Classification and Pay Plan, the Office will use the State Job Profile format to describe and evaluate positions.

Stage 2: Competency-Based Market Compensation Plan Conversion

Positions within the SAO will convert to the Alternate Classification and Pay Plan 020 based on market rates established for occupational groups (Market-Based Compensation Plan) and pay ranges within appropriate broadbands.

Occupational groups and pay ranges within broadbands will be developed by using a combination of salary survey data from a variety of sources available through the State Personnel Division, Department of Administration. The market salary survey sources include the national Watson Wyatt survey, the Central States survey conducted by the Department of Administration, the In-State Salary survey, and the state and national Occupational and Employment Statistic survey.

SAO's deputies and human resource staff will work with State Personnel Division staff to review individual positions and occupations in the SAO for matches with occupations in salary surveys. A position match with salary data will produce a market rate for the corresponding occupational group and pay range within a broadband. The following pay ranges will be established for each position:

Basic (Entry)	Market	Maximum
20% below market rate	Market Rate	20% above market rate

All employees will receive their regular statutory pay increase as scheduled for FY 2007. Longevity pay adjustments will continue in accordance with Section 2-18-304, MCA. Future legislative pay adjustments will be awarded in accordance with state law.

The SAO intends to implement an agency wide market comparison pay adjustment for staff and positions. These will be addressed in the pay plan guidelines. The agency will develop an alternative pay plan phased in over 2 budget cycles beginning with FY 2008 based on:

- Comparison of current agency employees' pay rates to the appropriate market rate for the assigned occupational group and pay range within a broadband;
- Identification of any pay inequities;
- Establishing a process for the management team to resolve pay inequities across a biennium;
- Review of extraordinary competencies of staff;

- Review of initial market pay adjustment made by SAO upon that agency's conversion to the alternate Classification and Pay Plan 020;
- Establishing a process through the management team to increase salaries far below market and
- Review of available funds and authority.

Pay adjustments implemented by the plan will be paid from appropriations and authority established by the 2005 and 2007 Montana Legislature. The timing of the plan implementation will be dependent on the final analysis of the factors listed above. The first implementation goal will be to bring employee pay rates to at least 80% of market during FY 2008. The management team will establish a process during FY 2008 to bring the agency to market. Moving all employees in the agency to market will be done through a process established by the management team and may cross two budget cycles.

Future Broadband Pay Plan salary adjustments:

The Broadband Pay Plan permits greater pay flexibility based on job content, competency, market salary data, and situational pay, with less emphasis on position classification. In the future, the SAO will consider implementing competency-based pay, results-based pay, and strategic pay in accordance with the Alternative Pay Plan 020 Guidelines. In addition to statutory pay increases, other salary adjustments could include competency-based factors, results-based factors and other factors.

Competency-based pay: Pay based on an assessment of demonstrated job-related competencies that contribute to success in the position. The agency will use both behavioral and technical competencies to determine appropriate pay adjustment, if necessary. Competency assessment will be tested during a trial period to end July 1, 2008 before full implementation, with competency-based pay increases effective in the future when funds are available and budget allows. The management team will identify possible career goals and objectives for employees who attain advanced certification (i.e., AIE, CIE, CFE, AFE, or others as identified by the team).

Results-based pay: Pay awarded to employees or employee teams based on work accomplishments (i.e., attainment of agency objectives such as completing special projects and implementing new methods and procedures). This pay component will give the agency a means to reward employees for outcomes or outputs. Performance standards and criteria used to award results will be based upon quantifiable (measurable) items set at the beginning of each assessment period, and will be built from the bottom up (i.e. no supervisor or manager can qualify unless line staff first qualifies). In the future, the agency will consider results-based pay adjustments on a case-by-case basis.

Strategic-based pay: Pay awarded to attract and retain key employees with competencies critical or vital to achievement of agency's mission or strategic goals. In the future, the agency will consider strategic-based pay adjustments on a case-by-case basis. All strategic pay adjustments require the approval of the State Auditor after the management team recommends the increases and provided they do not exceed Legislative appropriations.

The SAO Alternative Pay Plan 020 Guidelines will be developed by October 1, 2007. The guidelines will set forth a process for the consideration and approval of salary adjustments, including a requirement for advance documentation, and will establish procedures for reviewing any variable pay decision.

Stage 3: Implementation of a Competency-Based Human Resource System.

A competency-based human resource system, including a written SAO Alternative Classification and Pay Plan 020 Guidelines will be developed and implemented to cover plan administration and salary adjustments. The process of competency development will begin FY 2007 with intent to adopt a competency-based performance management system and tool by July 1, 2008. The performance management system will be tested before implementation, and with the following considerations:

Performance Management

- Employees and managers will participate in the development of agency competency models, using the state model as a base. This data will be used to develop job-related performance measures and results-based objectives in the form of a competency-based performance appraisal.
- Competency measurement tools with behavioral measures will be drawn from the state model. Knowledge competencies will be measured through standardized training/testing tools.

Recruitment and selection

- SAO's human resource staff will incorporate the competency models and related information and criteria into the Office recruitment and selection processes.

Quality control/assurance

- An important element in successful implementation of an alternate compensation program is employee and management support to ensure that the system is trusted as being objective and impartial. The Office will address this issue by incorporating several different quality control components into the plan to ensure consistency and compliance in the application of a competency-based performance management and compensation system. The proposed system will comply with state and federal employment and civil rights laws and meet the requirements of Montana Operations Manual 3-0115, the state performance management and evaluation policy.

Valid competency development process

Competencies associated with successful performance in the agency will be identified through valid means recommended by the Department of Administration. Sessions will be conducted to involve employees and supervisors in the competency identification process and to establish the connection between competencies and the larger organizational context. Valid, job-related competencies and relevant behavioral indicators are important components of competency models and will provide the foundation for development of performance appraisal tools.

Review Process

A tiered performance appraisal review process will help ensure consistency and objectivity in the application of performance management tools. The supervisor and the Deputy Commissioners, or a designee, will review employee performance appraisals completed by internal supervisors to ensure objectivity and consistency.

Training

The agency is committed to providing training and technical assistance to employees and supervisors in the administration and implementation of the competency-based performance management and compensation system. Supervisor training and assistance will be provided during the implementation phase of this plan by human resource staff and the Department of Administration staff on an as-needed basis.

Conclusion

The SAO employees are not unionized. The Broadband Pay Plan proposal is not intended to create a contract between the SAO and its employees. Rather, it is intended to provide guidance to management on the administration of the Broadband Pay Plan. The SAO, or designee, reserves the right to change these guidelines as necessary and without prior notice, per the discretion and review of State Personnel.

The successful implementation of this proposal will enhance recruitment, ensure retention of the best skilled employees, enhance the performance management process, and provide an avenue to reward exceptional employee performance.

Approval

Signatures below indicates approval of this proposal to move the State Auditor's Office positions and employees to a broadband Alternative Classification and Pay Plan 020 effective May 25, 2007.

Gordon Higgins
Deputy State Auditor

Date

Randy Morris
Administrator, State Personnel Division
Department of Administration

Date